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LEGAL ASPECTS OF COOPERATIVE MARKETING IN PENNSYLVANIA

J. R. Kern

The General Assembly of Pennsylvania has passed three separate acts authorizing the formation of agricultural cooperative associations and regulating their activities. The first of these became a law on June 7, 1887, and is popularly known as the Cooperative Act of 1887. The second act, which was approved on June 12, 1919, and amended on May 1, 1929, is known as the Cooperative Act of 1919. The third law was enacted in 1929 and approved on April 30th of that year, and is commonly referred to as the Cooperative Act of 1929. By means of these three acts farmers of this state can form cooperative marketing and purchasing associations, with or without capital stock, having wide powers and many special privileges. Under the Act of 1887, only local and statewide organizations can be formed, but under the Acts of 1919 and 1929, not only local and statewide associations can be formed, but regional and national cooperative associations may operate in Pennsylvania, with the full privileges of Pennsylvania associations by complying with the legal requirements applicable to foreign corporations desiring to do business in this state.[#]

A Pennsylvania statute of 1887, authorizing cooperative production and distributive associations, contained several features not previously found in cooperative statutes. Stock in the associations was of two classes, "permanent" stock, of which each member should hold at least one share, and "ordinary" stock, which could be transferred, redeemed, or withdrawn, according to the by-laws of the association.

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The business of the association with members or non-members was required to be on a strict cash basis. Members might be fined up to \$5 for a breach of the by-laws or regulations. The statute described precisely the method of distributing the profits of the association:

1. The value of the fixed stock and plant of the association was to be depreciated at an annual rate of 10 per cent on fixtures, machinery, and tools, and at the rate of 2 1/2 per cent or more, on warehouses, stores, and other buildings. The maximum rate in the second category was subject to determination by the directors.
2. The directors were required to order the writing off of organization and other preliminary expenses at a rate of not less than 5 per cent yearly.
3. Provision was made for a reserve fund and for payment of interest at the annual rate of 6 per cent on permanent stock and 5 per cent on ordinary stock. In case the stock was not paid for in full, the interest was merely credited to the member and applied on his stockholder's obligation.
4. The reserve fund was formed by allotting such proportion of the net profits, after charges, and interest on stock, as the directors might determine. To this fund was also added all fines and forfeitures. The reserve fund might be used to equalize the dividend throughout good and bad years, to meet emergencies affecting the association's business, and for any other corporate purposes approved by the members on recommendation of the directors.
5. A propaganda and social fund was to be created to which was to be credited not less than 2 1/2 per cent of the net profits, the exact amount to be determined by the directors.

6. The remainder of the profit was distributed as follows:

On the wages and salaries of the employees the same rate, and on the purchases by non-members one-half the rate that may be allotted on the purchases by members, such wages or salaries to be the amount earned, and such purchases to be the amount actually paid for in cash during the period to which the distribution relates: provided that no profit dividends shall be allowed on the purchases of such articles as the directors may have given previous notice of their intention to exclude from participation in profits; and provided further that all such profit dividends shall be credited to such members, non-members and employees, respectively, to accumulate and be applied in or toward the payment of shares of permanent or ordinary stock, as the directors may from time to time determine and order the issue of paid up certificates therefore, until the amount of stock capital held by each member individually reaches the limit allowed by this act (\$1,000 for each member unless otherwise voted by the members); after which the profit dividends may be paid to such members as shall be provided for in the by-laws of the association.[#]

Act of June 7, 1887.

The objects of the Act of 1887, the first cooperative agricultural act to be enacted, are well stated in the title of this law: "An act to encourage and authorize the formation of cooperative associations, productive and distributive, by farmers, mechanics,

[#] "Laws of Cooperative Marketing" - Hanna.

laborers or other persons to associate themselves together into cooperative associations for the purpose of carrying on any agricultural, horticultural, mining, quarrying, building, mechanical, manufacturing or commercial activity, or for the purpose of manufacturing, cultivating, raising, trading or dealing in all kinds of goods, wares, merchandise, chattels, grain, vegetables, roots, fruits and other produce, or animals for sale, food or other purposes, or the purpose of buying, selling, holding, leasing or improving lands, tenements or buildings. The corporate name of such association must include as the last two words, the words "cooperative association," and shall not include either the words "society" or "company."

Under this law the term of existence of the cooperative association is limited to thirty years, and any existing Pennsylvania cooperative association, whether incorporated or unincorporated, shall be entitled to all of its benefits by accepting the provisions of the act. No member of a cooperative association formed under the 1887 Act may own more than one thousand dollars of the capital stock, except consent therefore be voted by the members, and each member is entitled to only one vote and voting by proxy is prohibited. The act provides for the issuance of two classes of capital stock, one of which is known as "permanent stock" and is non-withdrawable but may be transferred, and the other, known as "ordinary stock" which may be repaid, transferred or withdrawn in accordance with the by-laws of the association. Each member must take at least one share of permanent stock, which may be paid for in one sum or in periodical installments. The shares of either class of stock may

be of amounts not less than five dollars nor more than twenty-five dollars. Minors may be eligible to own stock and to vote at meetings, but may not hold any office.

Associations incorporated under this act may buy from, sell to and trade or deal with any of its members or other persons, partnerships or corporations, but all transactions shall be for cash, except that such associations may sell real estate on such terms that at least one-fourth of the agreed price shall be paid in cash and not more than three-fourths of the agreed price, adequately secured by notes or bond and mortgage, shall be payable by fixed and equal periodical installments. No association may take credit for more than one week's wages and salaries of its employes, nor create other liabilities for more than three hundred dollars, unless approved by a vote of the members. The members are jointly and severally liable for all debts for labor or other services of any kind performed for the association and for other debts lawfully incurred, each member is liable to the amount of his unpaid stock capital and no more.

The management of the business of an association formed under the Act of 1887 is vested in the board of directors, president and secretary. The board of directors shall consist of six, eight or ten directors, one-half of whom shall be elected each January and one-half each July, for a period of one year. The president and secretary shall be directors ex-officio, but the treasurer, who is also elected, need not be a director. In addition, two auditors shall be elected each year. Each association shall hold regular quarterly meetings of its members in the months of January, April, July and October at which general statements, balance sheets and reports on the previous quarter's business shall

be presented by the board of directors.

Profits made by the association shall be ascertained quarterly and applied as follows: (1) in the reduction of value of the fixed stock and plant at the annual rate of 10%, or more, on machinery, tools and fixtures, and of 2 1/2%, or more, on buildings; (2) in the reduction of organization expenses, if any, at the rate of not less than 5% per year; (3) in providing for payment of interest at the annual rate of 6% on permanent stock and 5% on ordinary stock and the reserve fund; (4) in forming a reserve fund for equalization of dividends, for contingencies and any other purpose by applying such an amount of remaining profits as the board of directors may determine; (5) in forming a social fund to which shall be credited not less than 2 1/2% of the net profits; and (6) dividing the remainder of net profits among employees according to their wages earned, and among members and non-members according to the amount of their purchases in cash, with provisions that non-members shall receive only one-half of the rate that members and employees shall be entitled to.

The act further provides that associations formed under it shall levy fines of not more than five dollars for each offense upon members who breach the by-laws, that each employee who handles, receipts, pays or uses money for the association shall give a good and sufficient surety bond, and that part of the stock capital or reserve fund by a vote of the majority of members may be invested by the association in the stock capital of other duly incorporated cooperative associations in this state or in any other state or country.

Act of June 12, 1919 as Amended.

The cooperative law of 1919, as amended in 1929, provides for the incorporation and regulation of cooperative agricultural associations not having a capital stock and not conducted for profit, and defines agriculture so as to include persons engaged in agriculture, dairying, livestock raising, poultry raising, floriculture, mushroom growing, beekeeping, horticulture and other allied occupations. Under this act, any five or more persons engaged in agriculture, at least three of whom must be residents of this Commonwealth, may form a cooperative agricultural association to "engage in the buying and selling of agricultural products and take title to such products, and may, as agents for its members or any of them, perform for them services connected with the production, preservation, drying, grading, canning, storing, handling, utilization, marketing, or sale, of agricultural products produced by them; and for the agricultural purposes of patrons and members, may perform for them services connected with the purchase or hiring for or use by them supplies, including livestock, machinery and equipment, and the hiring of labor, or any one or more of the kinds of service herein specified." The name of such an association must include the word "cooperative."

Under this law the term of existence of the cooperative association may be perpetual, the association may borrow money to conduct its operations and may issue notes, bonds and other evidence of indebtedness therefor, and give security for the payment thereof. No associations incorporated under this act may have a capital stock nor be conducted for profit, but all associations may cooperate with any other such association or corporation, for the purpose of

promoting the objects for which incorporated. Any person, firm, partnership or corporation engaged in agriculture may be admitted as members in this form of cooperative association under terms and conditions prescribed in the by-laws, which membership shall be forfeited when the member has ceased to be engaged in agriculture. Every association shall issue a non-transferable certificate of membership to each member, and each member shall be entitled to one vote only and no vote by proxy shall be permitted. The association may engage in the buying and selling of agricultural products or farm supplies for its members and for non-members, and may also act as agent for them, but at least 51 per cent of its business must be done with members. It may also purchase and hold stock of corporations engaged in the buying or selling of agricultural products provided such purchase and holding shall be in keeping with the purposes for which the association was formed. Each member of an association, formed under this act, shall be liable, jointly, individually and severally, for his per capita share for all work and labor done to carry on the operation of the association, and should any member's share prove to be uncollectible, the remaining members are liable for an additional amount not to exceed the original liability. "Work and labor" are defined by the law to mean obligations incurred by the association for salary and wages for actual labor and service performed by individuals.

Associations formed under this act may make and execute contracts with members and non-members requiring them to buy all or a specified part of their supplies from, and to sell all or a specified part of their agricultural products to or through, the association, but such contracts must provide a reasonable period

in each year for the termination thereof by either party. In these contracts the same liability may be imposed upon non-members as is imposed on members.

The management of the affairs of the association is vested in the board of directors, which shall consist of not less than five members elected for terms of from one to three years. If an association desires to elect its directors for terms of years, at the first regular meeting one-third of the board, as nearly as possible, shall be elected for one year, another for two years and the third for three years. Thereafter, the terms of directors elected shall be for three years. The board of director immediately after election, shall from their own number elect a president and vice-president, and appoint a secretary and a treasurer or a secretary-treasurer, who need not be a director or a member. Vacancies in the board of directors for unexpired terms shall be filled by the remaining members of the board. The board of directors shall appoint a manager, install adequate account records and have an annual audit of operations made by a qualified accountant at the close of the fiscal year. The board of directors shall require the treasurer and such other officers, agents and employees, as it may designate, to give an adequate bond to the association and the premium on all such bonds shall be paid by the association.

In order to provide for the payment of its necessary expenses, and for the payment of principal or interest on its indebtedness, the association may create a working fund or otherwise, through fees, dues, assessments, charges or commissions for services. Such dues, fees, assessments, charges or commissions, shall be limited to the amounts necessary to meet expenses already incurred or reasonably

estimated as essential to be incurred by the association in conducting its operations, and for the payment of principal or interest on its indebtedness. Whenever an association has accumulated funds in excess of those necessary to provide for the above, it shall return such excess or such part thereof as may be determined by the board of directors, to or deduct from future fees, dues, assessments, or charges of the patrons and members who contributed to such excess, in proportion to their respective contributions.

Every association, within three months after the close of its fiscal year, shall through its secretary file one copy of the report of its annual audit with the Secretary of Agriculture of this Commonwealth and one copy with the Dean of the School of Agriculture of the Pennsylvania State College.

By means of a two-thirds vote of all members, at any regular meeting or at a special meeting called for the purpose, due notice of the time, place and object having been given, the articles of incorporation may be amended or the association may be dissolved.

Act of April 30, 1929.

The agricultural cooperative act of 1929 provides for the incorporation and regulation of cooperative agricultural associations having capital stock, and defines agriculture so as to include persons engaged in agriculture, dairying, livestock raising, poultry raising, floriculture, mushroom growing, beekeeping, horticulture and other allied occupations. Under this act, any number of persons, not less than five, engaged in agriculture, and at least three of whom must be citizens of this Commonwealth, may form a cooperative agricultural association for the purposes

of mutual help, to "engage in the buying and selling of agricultural products, and take title to such products, and may, as agent for its stockholders or any of them, perform for them services connected with the production, preservation, drying, grading, canning, storing, handling, utilization, marketing, or sale of agricultural products produced by them; and for the agricultural purposes of such stockholders, may perform for them services connected with the purchase or hiring for or use by them of supplies, including livestock, machinery, and equipment, and the hiring of labor, or any one or more of the kinds of service herein specified." The name of such an association shall include the word "cooperative."

The term of existence of an association incorporated under this act may be perpetual and the association may buy and sell agricultural products and supplies for stockholders and other patrons. An association may make and execute contracts with its stockholders and other patrons requiring them to sell all or any specified part of their agricultural products to or through the association, but such contracts shall specify a reasonable period each year during which either party may terminate the contract. Each association, under this act, may issue preferred and common stock and may borrow money to conduct its operations, issuing bonds, notes and other evidences of indebtedness therefor, and give security for the payment thereof. The preferred stock may be sold to patrons or non-patrons and has no voting privileges, but the common stock may be sold only to patrons. No person shall become the owner of more than five per cent of the outstanding common stock and no common stock may be transferred or sold without the written consent of the association. Common stockholders are entitled to vote but

each common stockholder is entitled to one vote only, and no vote by proxy shall be permitted, except in the case of an association with more than five hundred common stockholders which may provide for voting by proxy in its by-laws. The preferred stock shall be preferred as to assets and dividends and entitled to a cumulative dividend of not greater than six per cent per annum. Each common stockholder shall be liable in his individual capacity to the amount of stock held by him for all work and labor done to carry on the operations of the association. "Work" and "labor" are defined by the law to mean only such obligations incurred by the association for salary and wages for actual labor and services performed by individuals.

Any association, formed hereunder may cooperate with any other such association or corporation for the purpose of promoting the objects for which it was incorporated. It may also purchase and hold stock of corporations engaged in buying or selling of agricultural products, when such purchase and holding shall be in keeping with the purposes for which the association was formed.

Management of the affairs of the association is vested in the board of directors which shall consist of not less than five common stockholders. At the first regular meeting of the association, one-third of the board, or as nearly as may be, shall be elected for the term of one year, one-third for two years and one-third for three years. At regular meetings thereafter, all directors shall be elected for terms of three years. Vacancies in the board for unexpired terms shall be filled by the board of directors. Immediately after their election the board of directors shall elect from their number a president and a vice-president and they shall

appoint a secretary and a treasurer or secretary-treasurer who may be a non-stockholder. The board of directors shall install adequate account records, appoint a manager and have an annual audit of operations made by a qualified accountant. They shall require the treasurer, and may require such other officers, agents, and employees, as they may designate to give bond with sufficient surety for the faithful performance of their duties as such, the premium on such bond to be paid by the association.

After making provision for the payment of the dividend on the preferred stock and before payment of dividends on the common stock or the distribution of any patronage refund, the association shall set aside ten per cent of the total net earnings, annually, for a reserve fund, until the reserve fund shall equal at least thirty per cent of the paid up capital stock. The remainder of the net earnings of the association, not required for dividends on the common stock, may, in the discretion of the directors, be distributed as a patronage refund. Common stockholders shall be entitled to patronage refunds at double the rate of patronage refunds to non-stockholders patrons shall be entitled. Patronage refunds to non-stockholders may be credited to their account in the purchase of capital stock of the association.

Within three months after the expiration of the fiscal year, the secretary of each association shall file one copy of the report of its annual audit with the Secretary of Agriculture of this Commonwealth, and one copy with the Dean of the School of Agriculture of the Pennsylvania State College.

The articles of association may be amended by an affirmative vote of two-thirds of all common stockholders present at any regular or special meeting called for the purpose, due notice of the time, place and object of the meeting having been given. Any association may cease to do business and be dissolved in the same manner as corporations are dissolved under the general corporation laws of the Commonwealth.[#]

[#] Pa. Gen. Bul. 505 & Pa. Gen. Bul. 341.

Cooperative Acts

1. The Cooperative Agricultural Acts for Pennsylvania permits farmers to form Cooperative Marketing and purchasing associations, with or without capital stock, having wide powers and many special privileges. Under the Act of 1887 only local and statewide organizations can be formed, but under the Acts of 1919 and 1929, not only local and statewide associations may be formed, but regional and national cooperative associations may operate in Pennsylvania associations by complying with the legal requirements applicable to foreign corporations desiring to do business in this state.

(1) Act of June 7, 1887.

1. Corporate name must include "Cooperative Association"
2. Term of existence limited to 30 years.
3. No member own more than \$1000 stock.
4. Profits determined quarterly and may be applied.
 - (a) Reduction of value of fixed stock.
 - (b) Reduction of organization expenses.
 - (c) Payment of interest.
 - (d) Forming a reserve fund.
 - (e) Social fund (2 1/2%)
 - (f) Dividing remainder according to transactions made or wages earned.

(2) Act of June 12, 1919.

1. No capital stock.
2. Not conducted for profit.
3. Must include "Cooperative" in name.
4. Perpetual term of existence.
5. May buy and sell to and for non-members up to 49% of business.

6. Contracts may be made determining amount to be bought through the association.
7. Provisions for payments of expenses are or may be fees, dues, assessments, charges or commissions for services.
8. File copy of report of its annual audit with Dean of F. S. C. and with Sec. of Agr.
9. Articles may be amended or association dissolved by 2/3 vote of members.
10. Five or more may form one (3 in state).
11. Financed by membership notes and notes of indebtedness.
12. Each member one vote.

(3) Act of 1929.

Similar to Act of 1919 except for the following:

1. Board elected for 3 yrs. (same as 1919), 1/3 each year.
2. Ten per cent of earnings set aside until fund = 30% of the total capital stock. The remainder may be distributed as a patronage fund.
3. Permitted capital stock.
4. May issue preferred and common stock.

Immediately after their election, the board of directors shall elect from their number a president and a vice-president and they shall appoint a secretary and treasurer or a sec-treas., who may be a non-stock holder. The board of directors shall install adequate account records; appoint a manager and have an annual audit of

operations made by a qualified accountant.

Business Corporation

Cooperative Association

Purpose: (1) In business for profits --- (1) To render services

Patronage: (2) Not required of owners -- (2) Required

Control: (3) Votes according to capital

stock - (3) One man; one vote.

Legal Phases of Cooperative Associations

(U. S. D. A. Bull. 1106)

Page 2. An agricultural cooperative association is a business organization owned and controlled by member agricultural producers, usually incorporated, which operates for the mutual benefit of its members or stockholders as producers or patrons on a cost basis after allowing for the expenses of operation and maintenance and any other authorized deduction for expansion and necessary reserve.

Page 4. The success of Cooperative Marketing of farm products depends on the business sagacity and honesty of those in charge.

Page 6. In all jurisdictions, however, stockholders or members can be compelled to pay for stock of the corporation or for membership in it.

Page 7. Those who wish to form a corporation must meet the terms and conditions of the state.

Page 9. Articles of association include:

- (1) Objects and purposes for which formed.
- (2) Name includes cooperative.
- (3) Amount of capital stock if any.
- (4) Legal residence of association.

Page 10. Secure advice from:

- (1) State College of Agriculture.
- (2) Div. of Coop. Mark. of Fed. Farm Board.
- (3) Various acts.

Page 12. Charter - Consists of existing state constitution provisions and particular statute under which it was organized.

Page 13. A by-law that is legal when made may be rendered invalid by a statute subsequently adopted.

The purpose of by-laws is to provide rules for the regulation of the affairs of the corporation.

Page 14. A corporation is not liable for expenses and costs incurred by those who brought about its formation, unless it elects to pay them.

Page 16. Common law places no limit upon the amount which a corporation may borrow.

Pages 17 & 18. Lien on stock - Corporations may have liens on stock for debts due the association by the individual stockholder.

Page 18. Subscriber - one who has agreed to take stock in the original issue.

Stock-holding implies ownership, not indebtedness.

Page 21. It is the way that an association operates which determines whether or not it is a profit-making institution.

Page 24. Who may become members? Determined by association by-laws.

Page 25. Rights of members:

- (1) Choose and remove directors.
- (2) Adopt or change by-laws.
- (3) To require officers and directors to keep within the law, charter, by-laws and contracts.

- (4) To hold officers and directors accountable for losses suffered through departure from article (3).
- (5) Examine books and property of association.

Page 26. STOCK: A person continues as a member until a legal transfer, redemption or forfeiture of his stock is effected.

NON STOCK: A person continues as a member until he resigns, is expelled or until his membership is terminated by law.

Page 30. DISSOLUTION: Non-stock association - "per man bases".
Stock association - on stock basis.
Creditors paid first, then preferred stock holders and common stock.
Through unanimous consent of members or through action of state.

Page 31. DIRECTORS:

- (1) All corporate powers of an association are in its directors.
- (2) Need not be members.
- (3) No inherent power to fix own compensations.

Page 32. (4) In matters affecting policies or property the directors can bind the association only when acting in a properly, convened meeting of a board.

Page 33. (5) Quorum (fixed by-law) is necessary.
Usually 2/3 the vote.

Page 35. (6) May not engage in rival business to the detriment of the association.

Page 36. (7) The board of directors of an association, in directing its affairs, must use care to keep within the powers

conferred by its charter and the plan set forth in its by-laws and marketing contract.

Page 38. (8) May delegate an executive committee, officers, generally speaking, may not enter into transactions with an association in which they attempt to act both for themselves and the association.

Page 42. Association is liable for wrongs of officers.

Page 43. No voting by proxy.

Page 45. A cooperative association may not be thrown into involuntary bankruptcy. A receivership does not terminate or dissolve an association. It simply substitutes the management of the receivers for the management of the officers and directors of the association for the life of the receivership.

Page 46. Kind of contract.

(a) Purchase and sale.

(b) Agency type.

Page 48. So far as enforcement is concerned, the cooperative acts generally authorize associations formed under them, whether employing an agency or a purchase and sale contract, to provide for liquidated damages and they are also given the remedies of injunction and specific performance to compel members to deliver their products to an association.

Page 49. Length of contract varies. It may be decided in the by-laws, along with provision for withdrawal.

Page 50. Title of products passes to the association at delivery or at any other specified time if expressly and definitely agreed in the said contract.

Page 56. A purchaser with notice of a prior contract to sell or to lease takes subject to such contract, and is bound in the same manner as his vendor to carry it into execution.

Page 57. Pooling should be thought of as an averaging process, an averaging with respect to products, prices, expenses or returns.

Page 58-60. Recovery of excess advances - no man shall be allowed to enrich himself unjustly at the expense of another or shall be allowed to retain money that in "equity and good conscience" belongs to another.

Page 62. An association may make only those deductions that it is authorized to make under the contract or by-laws of the association.

Page 65. Generally speaking, a person who takes a crop mortgage or other lien on commodities occupies a position virtually identical with that of a purchaser of the commodities involved.

Page 66. Liquidated damages are damages the amount of which has been determined in advance by agreement between the parties. A penalty may, in this connection, be defined as an amount fixed by the parties to a contract to be paid by one of them in case of breach, which is greatly, or perhaps grossly, in excess of the damages which may actually be suffered from such a breach.

When the amount fixed is held to be a penalty, such amount can not be recovered, but only the actual damages suffered.

Page 70. Specific performance may be defined as the actual accomplishment of a contract between parties bound to fill it.

Page 72. An injunction is an order issued by a court of equity, requiring a party to do or refrain from doing certain acts.

Page 74. It has been repeatedly held that, if one maliciously interferes in a contract between two parties and induces one of them to

break that contract to the injury of the other, the party injured can maintain an action against the wrongdoer for damages.

Page 77. "It shall be conclusively presumed that a land owner or landlord or lessor is able to control the delivery of products produced on his land by tenants or others",

Page 81. The standard marketing act contains a provision stating that associations organized there under; shall be deemed not to be a conspiracy nor a combination in restraint of trade, nor an illegal monopoly. This form of statute has been enacted in more or less the same form in 42 states.

Page 84 & 85. Sect. 6. Clayton Act - 1914 - prevents dissolution of agricultural associations "instituted for the purposes of mutual help", "not having capital stock" and "not conducted for profit."

Page 85. Capper - Volstead Act - 1922.

"An act to authorize association of producers of agricultural products".

(1) One man, one vote.

(2) Must not pay dividends in excess of 8% per annum.

Page 86. (3) In any case the association shall not deal in the products of non-members to an amount greater in value than such as handled by members.

Page 86. Section 6 of the Clayton act refers only to nonstock organizations so that an association of producers formed with capital stock would not be entitled to the benefits thereof. It was the intention of Congress that the Capper-Volstead Act should exempt Cooperatives from Federal Anti-Trust statutes.

Page 92. Practice of cooperatives to receive notes of their members

and to use them as collateral in securing loans.

Page 94. As a general rule, whatever an individual may do in person he may do through an agent, and the doctrine is well established that one who acts through an agent acts himself. An agent derives all his authority from his principal - the one for whom he is acting. Incorporated cooperative association like other Page 96 corporations, are liable for the acts of their agents while such agents are acting within the scope of their employment.

Page 97. The physical property of a cooperative association is liable for property taxes on the same basis as similar property owned by others.

Page 98. Capital stock; 5% tax on original issue.

Page 99 & 100. Exempt from income tax if members and non-members are treated alike in paying patronage dividends, if interest rate does not exceed 6% and if non-members do not do more than half of the businesses.

Page 102 & 105. Patronage dividends - refunds or savings. The aim of a cooperative is to operate on a cost basis, giving the members of the association the selling price less marketing expenses and other authorized deductions for maintaining and developing the association.

Page 105 & 107. A certificate of indebtedness as the term suggests, is a written acknowledgment by the issuing association that it is indebted for the amount stated to the person named therein.

Page 108. If a cooperative association ^{that} is formed in one state enters into a marketing contract with producers in another state, and the products covered by the contracts on delivery to the

association out of the state on which grown, then it appears clear that an association would not be required to comply with the laws of the state with respect to foreign corporations.

Page 112. An association may bring suit for recovery of damages caused by a third person and may bring suit against one for breach of contract. An association should be include exceptions in its selling contracts covering contingencies which may prevent the association from performing its contracts.

Page 112. Unincorporated association - a body of persons acting together without a charter but employing to a greater or less extent the forms and methods used by incorporated bodies for the prosecution of the object for which formed.

Liability - same as partners.

Can't sue or hold property in its own name.

Usually formed on common-law right of contract.

Page 114. Majority controls when doing those things for which organized, otherwise unanimous consent is necessary. Money must be used for purpose specified.

**End of
Title**